Alpha IVF (ALPHA MK)

3QFY26: Quarter Disappoints

Highlights

- Earnings came in below expectations as Indonesia patient volumes remain lacklustre amid new IVF centres commencing contributions.
- Despite a sequential pick-up in margins, they remained softer than expected. New IVF centres could breakeven in the upcoming quarter.
- Maintain BUY as Alpha IVF's fundamentals remain intact despite near-term headwinds. Cut target price to RM0.33 (from RM0.40).

3QFY26 Results

Year to 31 May (RMm)	3QFY26	qoq % chg	yoy % chg	9MFY26	yoy % chg	Comments
Revenue	47.1	-0.4	16.1	146.5	15.5	Domestic and China patients grew amid boost from two newly launched IVF centres.
GP	28.1	0.2	14.4	87.6	14.4	
EBITDA	20.2	6.0	16.9	62.9	5.5	
PBT	17.0	3.1	8.9	54.4	-0.6	
Profit	12.2	2.6	0.5	39.4	-6.9	
Core PATAMI	12.5	3.8	4.6	39.7	-9.2	Below expectations.
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	qoq ppt chg	
Gross Profit	59.6	0.3	-0.9	59.8	-0.6	
EBITDA	43.0	2.6	0.3	42.9	-4.1	
Eff. tax rate	-28.4	-0.3	-6.0	-27.7	-4.9	
Core Profit	26.4	1.1	-2.9	27.1	-7.4	Margins recover but softer than expected.

Source: Alpha IVF, UOB Kay Hian

Analysis

- **Below expectations.** Alpha IVF registered a 3QFY26 core profit of RM12.5m (4.6% yoy, 3.8% qoq). This brought 9MFY26 core profit to RM39.7m (-9.2% yoy). This is below expectations, with earnings accounting for 65% and 67% of our and consensus full-year estimates respectively. The negative variation is attributed to slower-than-expected revenue growth despite a slight pick-up and softer margins, arising from the implementation of Sales and Services Tax (SST) on foreign patients, higher-than-expected effective tax rate and start-up costs.

Key Financials

Year to 31 May (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	167.6	176.8	200.9	253.7	321.2
EBITDA	77.5	80.0	81.4	104.0	135.0
Operating profit	69.9	70.8	68.9	88.4	118.6
Net profit (rep./act.)	54.8	57.4	53.4	66.1	86.6
Net profit (adj.)	54.8	57.4	53.4	66.1	86.6
EPS	1.1	1.2	1.1	1.4	1.8
PE	23.9	22.8	24.6	19.8	15.2
P/B	7.0	6.6	6.1	5.6	5.0
EV/EBITDA	15.1	14.5	14.8	11.4	8.6
Dividend yield	1.7	3.7	2.8	3.5	4.6
Net margin	32.7	32.5	26.6	26.1	27.0
Net debt/(cash) to equity	(77.1)	(78.7)	(54.9)	(56.2)	(64.8)
Interest cover	95.5	73.8	165.6	211.4	274.4
ROE	28.4	25.1	22.5	26.8	33.3
Consensus net profit			59.2	77.9	97.8
UOBKH/Consensus (x)			0.9	0.8	0.9

Source: Alpha IVF, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM0.27
Target Price	RM0.33
Upside	22.2%
Previous TP	RM0.40

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Stock Data

GICS Sector	Healthcare
Bloomberg ticker	ALPHA MK
Shares issued (m)	4,860.0
Market cap (RMm)	1,457.6
Market cap (US$m)	359.2
3-mth avg daily t'over (US$m)	0.3

Price Performance (%)

52-week high/low	RM0.34/RM0.27

1mth	3mth	6mth	1yr	YTD
0.0	(3.3)	(20.6)	(3.6)	(10.0)

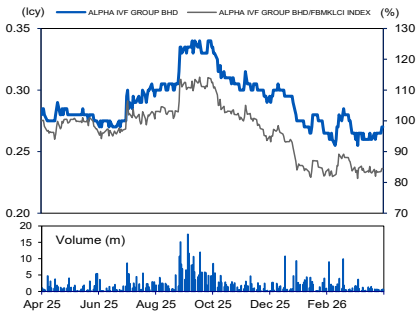
Major Shareholders %

Dato' Dr. Lee Soon Soo	43.2

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.04
FY26 Net Debt/Share (RM)	0.02

Price Chart



Source: Bloomberg

Company Description

Renowned fertility treatment provider with fertility centres in the ASEAN region, set up and operated by leading doctors and embryologists responsible for numerous fertility achievements both in the region and worldwide.

- **Growth picks up but sluggish Indonesian patient volumes weigh.** 3QFY26 revenue growth picked up to 16.1% yoy from 9.4% yoy in 2QFY26 but remains below expectations. This is attributed to: a) commencement of IVF centres in Sabah, Malaysia, Manila, and the Philippines, and b) growth in China foreign patients. It was partially offset by subdued Indonesian patient volumes following the weaker Indonesian rupiah vis-à-vis the ringgit and SST implementation on foreign patients.
- **Margins see some sequential recovery.** Gross margin improved sequentially by 0.3ppt (-0.9ppt yoy) to 59.6% due to the SST now being equally borne by its China intermediaries. EBITDA margins improved by 0.3ppt yoy despite the commencement of two new IVF centres as these centres have already achieved operational breakeven. Increased depreciation, interest cost and effective tax rate (+6.0ppt yoy to 28.4%) moderated core margin to 26.4% or -2.9ppt yoy.
- **Breakeven near but expansions delayed.** Going forward, the two new IVF centres are expected to break even at the PBT level in 4QFY26. Subsequent to that, Alpha IVF's other slated IVF centres in Malaysia (Johor), Philippines (Tugegarao) and Indonesia (Jakarta) have faced some delays and are due for commencement by Dec 26 from May 26 previously.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM0.33** (from RM0.40) as we cut our earnings. External headwinds have coincided with the ramp-up of new facilities that would initially incur start-up costs, weighing on the immediate financial performance. However, Alpha IVF's fundamental prospects are firmly intact as the new additional facilities widen its footprint across the region and materially expand the group's presence, up from a low base of just four existing IVF centres. Our target price is based on a PE peg of 24x, in line with Alpha IVF's regional IVF peers.

Earnings Revision/Risk

- We cut our earnings forecasts by 13%/20%/22% for FY26/27/28 to factor in lower patient volumes and margin assumptions. Key downside risks are execution of new facilities, reputation risk, and key personnel concentration risk.

Key Assumptions

	FY26F	FY27F	FY28F
Revenue (RMm)	200.9	253.7	321.2
Growth yoy (%)	13.6	26.3	26.6
Number of OPU			
Existing Centre OPU	3043	3104	3135
Growth yoy (%)	-4.7	2.0	1.0
New Centres OPU	606	1656	2906
Growth yoy (%)	194	173	75
Total OPU	3649	4760	6041
Growth yoy (%)	7.4	30.4	26.9
Blended Revenue per OPU (RM'000)			
Growth yoy (%)	51.7	50.1	50.0

Source: UOB Kay Hian

Growth And Margin Outlook

	FY26F	FY27F	FY28F
Revenue (RMm)	200.9	253.7	321.2
Growth yoy (%)	13.6	26.3	26.6
EBITDA (RMm)	87.9	110.1	141.1
Growth yoy (%)	1.7	25.3	28.2
Core PATAMI (RMm)	53.4	66.1	86.6
Growth yoy (%)	-7.0	23.7	31.0
EBITDA Margin (%)	46.6	46.7	43.9
Core PATAMI Margin (%)	28.9	29.3	27.0

Source: UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental
- Energy efficiency. Implements energy-efficient equipment and practices to reduce energy consumption within the centres. - Waste management. Implements responsible waste management including proper disposal of medical waste and recycling initiatives.
Social
- Ethical practices. Adheres to ethical and transparent practices in patient interactions, including informed consent, privacy protection and responsible handling of genetic information. - Diversity & inclusion. Fosters a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity.
Governance
- Board oversight. Ensures that the board of directors or governing body provides effective oversight of the IVF centres' operations, including ESG strategies and performance.

Profit & Loss

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Net turnover	177	201	254	321
EBITDA	80	81	104	135
Deprec. & amort.	9	13	16	16
EBIT	71	69	88	119
Total other non-operating income	6	6	6	6
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	0	0	0
Pre-tax profit	76	75	94	124
Tax	(18)	(21)	(26)	(34)
Minorities	(1)	(1)	(2)	(3)
Net profit	57	53	66	87
Net profit (adj.)	57	53	66	87

Balance Sheet

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Fixed assets	36	108	112	101
Other LT assets	41	47	47	47
Cash/ST investment	156	122	136	173
Other current assets	18	10	12	16
Total assets	251	286	307	336
ST debt	0	1	1	1
Other current liabilities	24	49	50	51
LT debt	0	3	3	3
Other LT liabilities	23	12	10	9
Shareholders' equity	198	214	234	260
Minority interest	6	7	9	12
Total liabilities & equity	251	286	307	336

Cash Flow

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Operating	55	59	79	100
Pre-tax profit	72	75	94	124
Tax	(18)	(21)	(26)	(34)
Deprec. & amort.	6	13	16	16
Associates	0	0	0	0
Working capital changes	(5)	(5)	(2)	(2)
Other operating cashflows	0	(3)	(3)	(3)
Investing	(2)	(57)	(17)	(1)
Capex (growth)	(7)	(55)	(20)	(5)
Investments	0	(6)	0	0
Proceeds from sale of assets	0	0	0	0
Others	6	3	3	4
Financing	(47)	(35)	(48)	(63)
Dividend payments	(46)	(37)	(46)	(61)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	3	0	0
Others/interest paid	(1)	(1)	(2)	(2)
Net cash inflow (outflow)	6	(34)	14	37
Beginning cash & cash equivalent	151	156	122	136
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	156	122	136	173

Key Metrics

Year to 31 May (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	45.2	40.6	41.0	42.0
Pre-tax margin	43.0	37.2	37.1	38.7
Net margin	32.5	26.6	26.1	27.0
ROA	19.6	17.2	20.5	25.8
ROE	25.1	22.5	26.8	33.3
Growth				
Turnover	(45.0)	(37.5)	(21.0)	0.0
EBITDA	(40.7)	(39.6)	(23.0)	0.0
Pre-tax profit	(38.7)	(39.8)	(24.3)	0.0
Net profit	(33.7)	(38.3)	(23.7)	0.0
Net profit (adj.)	4.8	(7.0)	23.8	31.0
EPS	(33.7)	(38.3)	(23.7)	0.0
Leverage				
Debt to total capital	0.0	2.0	1.8	1.6
Debt to equity	0.0	2.0	1.9	1.7
Net debt/(cash) to equity	(78.7)	(54.9)	(56.2)	(64.8)
Interest cover	73.8	165.6	211.4	274.4

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